

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Thetford Township	County Genesee
Audit Date 3/31/06	Opinion Date 6/28/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

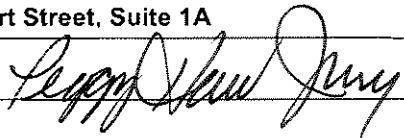
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 8/2/06

Annual Financial Report
Thetford Township
Genesee County, Michigan
March 31, 2006

with *Independent Auditors' Report*

Thetford Township, Michigan
Annual Financial Report
For the Fiscal Year Ended March 31, 2006

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Thetford Township, Michigan
Annual Financial Report
For the Fiscal Year Ended March 31, 2006

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Introductory Section

**Annual Financial Report
Thetford Township
March 31, 2006**

Township Board

Luther Hatchett	Supervisor
Shelly L. Ayotte	Treasurer
Myra J. Hobson	Clerk
John A. Congdon	Trustee
Cynthia R. Hicks	Trustee
Eileen Kerr	Trustee
David M. Phillips	Trustee

Independent Auditors' Report

The Honorable Members
of the Township Board
Thetford Township
Clio, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan (Township) as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Township's 2005 financial statements. The financial statements of Thetford Township as of March 31, 2005 were audited by BKR Dupuis & Ryden, whose report dated June 24, 2005 expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. BKR Dupuis & Ryden subsequently merged into Plante & Moran, PLLC.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan at March 31, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thetford Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran PLLC
June 28, 2006

Management's Discussion and Analysis

Thetford Township Management's Discussion and Analysis

Our discussion and analysis of the Thetford Township's financial performance provides an overview of the Township's financial activities for the fiscal year that ended on March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The Township's Total Net Assets were \$4.3 million. Unrestricted net assets were \$3.0 million.
- During the year, the Township's governmental expenses were \$67,944 more than the \$1.3 million generated in taxes and other revenues for governmental programs.
- General fund expenditures exceeded revenues by \$26,968.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Financial Analysis of the Township as a Whole

Net assets

The Township's governmental activities net assets are \$2.4 million. The unrestricted governmental activities net assets are \$1.7 million. Business-type activities net assets are \$1.9 million with \$.6 million being invested in capital assets net of related debt.

Governmental Activities

The Township's governmental activity revenues excluding other financing sources were \$1.27 million this year and \$1.24 million last year. Property taxes were \$143,618 and \$137,797 for 2006 and 2005, respectively; for both years property taxes were 11% of the total revenues. Federal grants, local grants, and State revenue sharing made up \$597,349 or 47% of the total revenue and \$603,727 or 49% of the total revenue for 2006 and 2005 respectively. Charges for services were \$463,081 or 36% of the total revenue and \$443,975 or 37% of the total revenue for 2006 and 2005 respectively. The remaining General Fund revenues are comprised mostly of licenses and permits and interest revenue.

Business-Type Activities

During 2006 operating revenues of the Township's business-type activities decreased \$6,526 from the prior year of \$184,573 to \$178,047. Operating expenses decreased by \$11,985. Net changes from non-operating activities increased from revenue of \$24,657 to a revenue of \$24,959.

During 2005 operating revenues of the Township's business-type activities increased \$19,140 from the prior year of \$165,433 to \$184,573. Operating expenses decreased by \$1,177. Net changes from non-operating activities increased from revenue of \$56,328 to a revenue of \$24,657, due mainly to the decrease in interest income.

Thetford Township's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,896,490	\$1,896,333	\$1,345,698	\$1,320,520	3,242,188	3,216,853
Capital assets	556,926	621,095	668,175	725,266	1,225,101	1,346,361
Total assets	2,453,416	2,517,428	2,013,873	2,045,786	4,467,289	4,563,214
Long-term liabilities						
outstanding	-	-	100,342	143,549	100,342	143,549
Other liabilities	18,431	14,499	19,209	22,207	37,640	36,706
Total liabilities	18,431	14,499	119,551	165,756	137,982	180,255
Net assets:						
Invested in capital assets, net of related debt	556,926	621,095	567,833	581,717	1,124,759	1,202,812
Restricted	190,984	192,034	-	-	190,984	192,034
Unrestricted	1,687,075	1,689,800	1,326,489	1,298,313	3,013,564	2,988,113
Total net assets	\$2,434,985	\$2,502,929	\$1,894,322	\$1,880,030	\$4,329,307	\$4,382,959

Thetford Township's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 463,081	\$ 443,975	\$ 178,047	\$184,573	\$ 641,128	\$ 628,548
Operating grants and Contributions	6,460	7,597	-	-	6,460	7,597
Capital grants and contributions	3,482	6,300	-	-	3,482	6,300
General revenues:						
Property taxes	143,618	137,797	-	-	143,618	137,797
Other taxes	587,407	589,470	-	-	587,407	589,470
Unrestricted earnings	67,575	55,760	36,932	38,279	104,507	94,039
Total revenues	1,271,623	1,240,899	214,979	222,852	1,486,602	1,463,751

Thetford Township's Changes in Net Assets – (continued)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Expenses:						
General government	612,447	610,084	-	-	612,447	610,084
Public safety	229,819	239,431	-	-	229,819	239,431
Public service	418,058	387,116	-	-	418,058	387,116
Health and welfare	58,822	44,342	-	-	58,822	44,342
Recreation and culture	20,421	24,387	-	-	20,421	24,387
Water and sewer	-	-	200,687	213,041	200,687	213,041
Total expenses	<u>1,339,567</u>	<u>1,305,360</u>	<u>200,687</u>	<u>213,041</u>	<u>1,540,254</u>	<u>1,518,401</u>
Increase (decrease) in net assets	(67,944)	(64,461)	14,292	9,811	(53,652)	(54,650)
Net assets - April 1, 2005	<u>2,502,929</u>	<u>2,567,030</u>	<u>1,880,030</u>	<u>1,870,219</u>	<u>4,382,959</u>	<u>4,437,249</u>
Net assets - March 31, 2006	<u>\$2,434,985</u>	<u>\$2,502,569</u>	<u>\$1,894,322</u>	<u>\$1,880,030</u>	<u>\$4,329,307</u>	<u>\$4,382,599</u>

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1.66 million. This was a decrease of \$26,968 from the prior year. The Township's General Fund revenues excluding other financing sources were \$1.24 million this year and \$1.23 million last year.

Capital Assets

At the end of 2006, the Township had invested \$556,927 in capital assets, net of related debt. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, GASB has allowed smaller units of government like Thetford Township to report infrastructure assets on a prospective basis after adopting the new reporting standard.

Long-term Debt

At the end of the current fiscal year, Thetford Township had total debt outstanding of \$115,450. Of this amount, \$115,450 comprises debt backed by the full faith and credit of the government. Since the debt is non-interest bearing, a discount has been calculated at 8%. The discount amounted to \$15,000 at the end of the current fiscal years.

Thetford Township's Outstanding Debt

General Obligation and Revenue Bonds

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Contracts payable	<u>\$ -0-</u>	<u>\$100,342</u>	<u>\$100,342</u>

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. Our legal debt limit is \$2.0 million. The Township's water and sewer is exempted from consideration in the 10% limit computation.

Budget

The budget for 2006 was amended as required by State law. Both the original budget and the amended budget have been shown in this document for 2006. The Township has again produced a timely and balanced budget for 2007.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, we welcome you to contact the Clerk's office.

Basic Financial Statements

Government-wide Financial Statements

Thetford Township
Statement of Net Assets
March 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 506,606	\$ 330,128	\$ 836,734
Investments	1,212,160	859,009	2,071,169
Receivables	87,466	146,834	234,300
Due from other governments	94,721	5,264	99,985
Internal balances	(4,463)	4,463	-
Capital assets - land	113,320	-	113,320
Capital assets (net of accumulated depreciation)	443,607	668,175	1,111,782
Total assets	2,453,417	2,013,873	4,467,290
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	8,487	19,209	27,696
Due to other governments	9,944	-	9,944
Noncurrent liabilities:			
Due within one year	-	14,697	14,697
Due in more than one year	-	85,645	85,645
Total liabilities	18,431	119,551	137,982
Net assets:			
Invested in capital assets, net of related debt	556,927	567,833	1,124,760
Restricted for:			
Perpetual care:			
Expendable	33,874	-	33,874
Nonexpendable	176,705	-	176,705
Senior Center:	1,032	-	1,032
Unrestricted	1,666,447	1,326,489	2,992,936
Total net assets	\$ 2,434,985	\$ 1,894,322	\$ 4,329,307

See notes to financial statements.

**Thetford Township
Statement of Activities
For the Year Ended March 31, 2006**

Functions\Programs	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 612,447	\$ 125,404	\$ -	\$ -
Public safety	229,819	17,007	-	-
Public service	418,058	320,670	6,460	-
Health and welfare	58,822	-	-	-
Recreation and culture	20,421	-	-	3,482
Total governmental activities	1,339,567	463,081	6,460	3,482
Business-type activities				
Sewer and water	200,687	178,047	-	-
Total business-type activities	200,687	178,047	-	-
Total primary government	\$ 1,540,254	\$ 641,128	\$ 6,460	\$ 3,482
General revenues:				
Property taxes				
Sales tax				
Unrestricted earnings				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (487,043)	\$ -	\$ (487,043)
(212,812)	-	(212,812)
(90,928)	-	(90,928)
(58,822)	-	(58,822)
(16,939)	-	(16,939)
(866,544)	-	(866,544)
-	(22,640)	(22,640)
-	(22,640)	(22,640)
(866,544)	(22,640)	(889,184)
143,618	-	143,618
587,407	-	587,407
67,575	36,932	104,507
798,600	36,932	835,532
(67,944)	14,292	(53,652)
2,502,929	1,880,030	4,382,959
\$ 2,434,985	\$ 1,894,322	\$ 4,329,307

Fund Financial Statements

**Township of Thetford
Balance Sheet
Governmental Funds
March 31, 2006**

	Major Funds		Non-Major Fund	
		Permanent Fund		
	General	Perpetual Care	Parks and Recreation	Total
Assets				
Cash and cash equivalents	\$ 449,088	\$ 54,952	2,565	\$ 506,605
Investments	1,059,139	153,021	-	1,212,160
Receivables:				
Taxes	40,139	-	-	40,139
Accounts	14,395	-	-	14,395
Accrued interest	30,736	2,196	-	32,932
Due from other funds	-	410	-	410
Due from other governments	94,721	-	-	94,721
Total assets	<u>\$ 1,688,218</u>	<u>\$ 210,579</u>	<u>\$ 2,565</u>	<u>\$ 1,901,362</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,712	\$ -	\$ -	\$ 3,712
Deposits and advances	4,775	-	-	4,775
Due to other funds	4,873	-	-	4,873
Due to other governmental units	9,944	-	-	9,944
Total liabilities	<u>23,304</u>	<u>-</u>	<u>-</u>	<u>23,304</u>
Fund balances:				
Reserved for:				
Senior center	1,032	-	-	1,032
Perpetual Care	-	176,705	-	176,705
Unreserved, reported in:				
General fund	1,663,882	-	-	1,663,882
Perpetual Care permanent fund	-	33,874	-	33,874
Parks and recreation fund	-	-	2,565	2,565
Total fund balances	<u>1,664,914</u>	<u>210,579</u>	<u>2,565</u>	<u>1,878,058</u>
Total liabilities and fund balances	<u>\$ 1,688,218</u>	<u>\$ 210,579</u>	<u>\$ 2,565</u>	<u>\$ 1,901,362</u>

See notes to financial statements.

Thetford Township
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2006

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,878,058
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>556,927</u>
Net Assets - Governmental Activities	<u>\$ 2,434,985</u>

See notes to financial statements.

Township of Thetford
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2006

	Major Funds		Non-Major Fund	
	General Fund	Permanent Fund Perpetual Care	Parks and Recreation	Total
Revenues:				
Taxes	\$ 143,660	\$ -	\$ -	\$ 143,660
Special assessments	9,809	-	-	9,809
Licenses and permits	50,532	-	-	50,532
Intergovernmental:				
Federal	3,482	-	-	3,482
State	593,867	-	-	593,867
Charges for services	365,061	-	-	365,061
Interest and dividends	63,802	3,773	-	67,575
Rent	5,660	-	-	5,660
Sale of lots	-	12,800	-	12,800
Other	8,933	8,179	2,065	19,177
Total revenues	1,244,806	24,752	2,065	1,271,623
Expenditures:				
Current:				
Legislative	96,291	-	-	96,291
General government	436,074	4,125	-	440,199
Public safety	223,784	-	-	223,784
Public works	402,834	-	-	402,834
Health and welfare	49,528	-	-	49,528
Recreation and culture	14,373	-	-	14,373
Insurance and bonds	48,390	-	-	48,390
Total expenditures	1,271,274	4,125	-	1,275,399
Deficiency of revenues over expenditures	(26,468)	20,627	2,065	(3,776)
Other financing sources (uses)				
Transfers	(500)	-	500	-
Net change in fund balance	(26,968)	20,627	2,565	(3,776)
Fund balance - beginning of year	1,691,882	189,952	-	1,881,834
Fund balance - end of year	\$ 1,664,914	\$ 210,579	\$ 2,565	\$ 1,878,058

See notes to financial statements.

**Thetford Township
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2006**

Amounts reported for governmental activities in the statement of activities (pages 9-10)
are different because:

Net Change in fund balances - total governmental funds (page 15)	\$ (3,776)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	9,650
Depreciation Expense	<u>(73,818)</u>
Total	<u>\$ (67,944)</u>

See notes to financial statements.

**Township of Thetford
Statement of Net Assets
Proprietary Fund
For the Year Ended March 31, 2006**

	<u>Enterprise Fund Sewer and Water</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 330,128
Investments	859,009
Receivables:	
Accounts	33,884
Unbilled utility	26,546
Tap-in fees	195
Accrued interest	86,209
Due from other funds	4,463
Due from other governments	<u>5,264</u>
Total current assets	1,345,698
Capital assets - net of accumulated depreciation	<u>668,175</u>
Total assets	<u>2,013,873</u>
Liabilities	
Current liabilities:	
Accounts payable	19,209
Non current liabilities:	
Due within one year	14,697
Due within more than one year	<u>85,645</u>
Total liabilities	<u>119,551</u>
Net assets	
Invested in capital assets, net of related debt	567,833
Unrestricted	<u>1,326,489</u>
Total net assets	<u>\$ 1,894,322</u>

See notes to financial statements.

Township of Thetford
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended March 31, 2006

	<u>Enterprise Fund Sewer and Water</u>
Operating revenues:	
Charges for services	\$ 168,325
Interest and penalties	<u>8,432</u>
Total operating revenues	<u>176,757</u>
Operating expenses:	
Depreciation	57,091
Maintenance cost	16,793
Service fees	113,292
Agent fees	<u>248</u>
Total operating expenses	<u>187,424</u>
Operating income (loss)	<u>(10,667)</u>
Nonoperating revenues (expense):	
Tap-in fees	1,290
Interest and dividend income	36,932
Gain in investments	3,363
Interest expense	<u>(16,626)</u>
Total nonoperating revenues	<u>24,959</u>
Change in net assets	14,292
Net assets-beginning of the year	<u>1,880,030</u>
Net assets-end of the year	<u><u>\$ 1,894,322</u></u>

See notes to financial statements.

**Township of Thetford
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2006**

	Enterprise Fund Sewer and Water
Cash flow from operating activities:	
Cash received from customers	\$ 274,167
Cash payments to suppliers for goods/services	(238,150)
Net cash provided by operating activities	<u>36,017</u>
Cash flow from capital and related financing activities:	
Capital contributions	1,290
Principal paid on long term debt	(57,725)
Interest paid on long term debt	(2,106)
Net cash used in capital and related financing activities	<u>(58,541)</u>
Cash flow from investing activities:	
Increase in investments	(9,496)
Interest on investments and tap-in fees	15,849
Net cash provided by investing activities	<u>6,353</u>
Net decrease in cash	(16,171)
Cash and cash equivalents - beginning of year	346,299
Cash and cash equivalents - end of year	<u><u>\$ 330,128</u></u>
Reconciliation of cash and cash equivalents combined balance sheet:	
Other fiduciary fund type's cash and cash equivalents	
Total cash and cash equivalents for fiduciary fund types	
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (10,667)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	57,091
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,747)
(Increase) decrease in due from other funds	107,157
Increase (decrease) in accounts payable	(2,998)
Increase (decrease) in due to other funds	(104,819)
Net cash provided by operating activities	<u><u>\$ 36,017</u></u>

Non-cash transactions:

The water bond issue is recorded at a discount. The discount is amortized over the life of the bond. The amount of discount recognized in 2006 related to the bond issue is \$14,520.

See notes to financial statements.

**Thetford Township
Statement of Net Assets
Fiduciary Funds
March 31, 2006**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Trust and Agency</u>	<u>Tax Collections</u>	
Assets:			
Cash and cash equivalents	\$ 4,626	\$ 2,620	\$ 7,246
Total assets	<u>\$ 4,626</u>	<u>\$ 2,620</u>	<u>\$ 7,246</u>
Liabilities:			
Deposits and advances	\$ 4,187	\$ -	\$ 4,187
Accounts Payable	439	2,620	3,059
Total liabilities	<u>\$ 4,626</u>	<u>\$ 2,620</u>	<u>\$ 7,246</u>

See notes to financial statements.

Notes to Basic Financial Statements

Thetford Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The accounting policies of the Thetford Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Thetford Township.

A. Reporting entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Thetford Township, Michigan (the primary government). Component units would be included in the Township's reporting entity because of the significance of their operational or functional relationships with the primary government. The Township had no component units at March 31, 2006.

The following organizations are not considered component units of Thetford Township and are excluded from the accompanying financial statements for the reasons stated.

Clio Area Library and Clio Area Fire Authority:

- Financed by other communities besides the Township of Thetford
- Serves several communities outside the Township
- Thetford Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Area Library and Clio Area Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2005 and March 31, 2006 are available for public inspection at Thetford Township.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Thetford Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

B. Government-wide and fund financial statements – (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Perpetual Care Permanent Fund is used to account for principle trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery. The permanent fund is used to report resources that are legally restricted to the extent that only earnings, no principle, may be used for purposes that support the reporting government's programs.

The government reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. Separate funds are not maintained for the operations of the water distribution system and sewage pumping and collection systems that transmit the sewage to Genesee County's treatment plant.

Thetford Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund.

The Township is permitted by law to levy up to \$1.00 per \$1,000 (1 mill) of taxable value for general governmental services other than the payment of principal and interest on long-term debt. The tax rate to finance such general governmental services for the year ended March 31, 2006, was \$.9352 per \$1,000. The Township is permitted to levy unlimited amounts for payment of existing general long-term debt obligations. As of March 31, 2006, \$-0- per \$1,000 of taxable valuation was being levied for long-term debt retirement. The Township also assesses a garbage assessment of \$128 per household.

Thetford Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity

1. Deposits

Cash deposits are carried at cost plus accrued interest and consist of checking accounts and short-term investments with original maturity of three months or less from the date of acquisition.

2. Investments:

Investments for the Township, are stated at fair value. Certificates of deposit with a maturity date of three months or greater at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds" and activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and a life of two years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired beginning with the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Vehicles	5-15
Equipment and furniture	3-10
Computer equipment	3
Roads	15

Thetford Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity - (continued)

5. Accumulated unpaid sick pay

Full-time, permanent employees are granted five personal days each year. Any unused personal days may be accumulated for a maximum of 50 days over a 10-year period, at which time, if unused, will expire. Upon termination any unused personal days will be compensated.

Full-time employees are granted vacation benefits in varying amounts depending on tenure with the Township. Failure to take vacation time in one year does not entitle the employee to additional time off at any future date. On separation from employment for reasons other than cause or resignation without notice, an employee shall receive vacation pay for any accrued vacation.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.

Thetford Township
Notes to Financial Statements
March 31, 2006

II. Stewardship, compliance, and accountability - (continued)

A. Budgetary information – (continued)

2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental level through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan. The budget to actual comparison is shown more detailed than the level the budget is adopted on.
4. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at year-end, except for certain federal grants which are appropriated on a contract (grant) length basis.
6. The original budget was amended during the year in compliance with the Township bylaws and applicable state laws.

B. Excess of expenditures over appropriations

The following funds incurred expenditures in excess of appropriations (at departmental levels) as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
Supervisor	\$ 59,324	\$ 59,988	\$ (664)
Election	3,779	6,377	2,598
Clerk	50,992	51,118	(126)

C. Building department revenues and expenses

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended March 31, 2006 is as follows:

Construction permit revenue	\$ 14,733
Expenditures:	
Professional services	<u>17,959</u>
Revenue over (under) expenditures	<u>\$ (3,266)</u>

**Thetford Township
Notes to Financial Statements
March 31, 2006**

III. Detailed notes on all funds

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The government has designated six banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,492,057 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	General Fund	Perpetual Care	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 40,139	\$ -	\$ -	\$ 40,139
Accounts	14,395	-	-	14,395
Interest	30,736	2,196	-	32,932
Gross receivables	85,270	2,196	-	87,466
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$85,270</u>	<u>\$ 2,196</u>	<u>\$ -0-</u>	<u>\$ 87,466</u>

Thetford Township
Notes to Financial Statements
March 31, 2006

B. Receivables - (continued)

Business type activities:

	Water and Sewer
Receivables:	
Accounts	\$ 60,430
Interest	86,209
Special assessments	195
	<hr/>
Gross receivables	146,834
Less: allowance for uncollectibles	<hr/> -
Net total receivables	<hr/> <u>\$146,834</u>

C. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 113,320	\$ -	\$ -	\$ 113,320
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	113,320	-	-	113,320
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated:				
Buildings	714,280	1,076	-	715,356
Building improvements	338,410	-	-	338,410
Computers	14,986	2,505	-	17,491
Furniture	45,246	-	-	45,246
Machinery, vehicles, and equipment	325,045	6,069	(18,480)	312,634
Infrastructure	228,362	-	-	228,362
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	1,666,329	9,650	(18,480)	1,657,499
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Buildings	630,055	15,914	-	645,969
Building improvements	221,822	9,400	-	231,222
Computers	14,986	835	-	15,821
Furniture	43,656	1,497	-	45,153
Machinery, vehicles, and equipment	232,811	30,948	(18,480)	245,279
Infrastructure	15,224	15,224	-	30,448
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	1,158,554	73,818	(18,480)	1,213,892
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated, net	507,775	(64,168)	-	443,607
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	\$ 621,095	\$ (64,168)	\$ -0-	\$ 556,927
	<hr/>	<hr/>	<hr/>	<hr/>

Thetford Township
Notes to Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,283,611	\$ -	\$ -	\$2,283,611
Total capital assets, being depreciated	2,283,611	-	-	2,283,611
Less accumulated depreciation for:				
Improvements other than buildings	(1,558,345)	(57,091)	-	1,615,436
Total accumulated depreciation	(1,558,345)	(57,091)	-	1,615,436
Total capital assets, being depreciated, net	\$ 725,266	\$ (57,091)	\$ -0-	\$ 668,175

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 34,275
Public safety	8,978
Public works	15,223
Health and welfare	9,294
Recreation and cultural	6,048

Total depreciation expense - governmental activities	<u>\$ 73,818</u>
--	------------------

Business-type activities:

Sewer and water	<u>\$ 57,091</u>
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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer	General	4,463
Perpetual Care	General	410
		<u>\$4,873</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Thetford Township
Notes to Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers – (continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund providing resources</u>	<u>Fund receiving resources</u>	<u>Amount</u>
General Fund	Parks and Recreation Fund	\$500

The transfer from the General Fund to the Parks and Recreation Fund represent the use of unrestricted resources to finance the program.

E. Lease

The Township leases equipment under an operating lease agreement with De Lage Landen in January 2005. Total costs for the lease were \$1,716 for the current year. The monthly payments are \$142.96 and the life of the lease is 48 months. The minimum future lease payments are listed below:

<u>Year</u>	
2007	\$ 1,716
2008	1,716
2009	<u>1,287</u>
	<u>\$ 4,718</u>

F. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government.

The following is a summary of Business-Type long-term liability activity of the Township for the year ended March 31, 2006:

Business-type activities:	
Long-term debt payable	
at April 1, 2005	\$173,175
Principal payments made	<u>57,727</u>
Total business-type	
Activities long-term	
debt at March 31, 2006	115,448
Less discount	<u>(15,106)</u>
	<u>\$100,342</u>

Thetford Township
Notes to Financial Statements
March 31, 2006

III. Detailed notes on all funds -- (continued)

F. Long-term debt -- (continued)

A summary of long-term liability transactions for the year ended March 31, 2006, and the composition of the March 31, 2006, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at April 1, 2005</u>	<u>Payments During Year</u>	<u>Discount Amortized During Year</u>	<u>Balance at March 31, 2006</u>	<u>Due Within One Year</u>
Business activities:							
Contract payable							
Genesee County							
-- sewer line	3/09	5%	\$ 44,091	\$ (14,699)	\$ -	\$ 29,392	\$14,697
Contract payable							
-- water line	3/2011	8	99,458	(43,028)	14,520	70,950	-
Total business- type activities			<u>\$143,549</u>	<u>\$ (57,727)</u>	<u>\$ 14,520</u>	<u>\$ 100,342</u>	<u>\$ 14,697</u>

Contracts payable:

The Township has entered into contracts with the County of Genesee for the construction of sewer and water lines. Pursuant to these contracts, the County has sold bond issues for the construction of a sanitary sewage disposal system, a sewer trunk system, a sewer lateral system, and a water supply system. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest thereon, as it becomes due. As of March 31, 2006, all principal and interest payments due have been made. The Township does not maintain accounts or records pertaining to the issuance of bonds or the disposition of proceeds. The Township participates with a number of other municipalities in the construction and paying off of the debt on the countywide sanitary sewage disposal system. Only the Township's percentage of debt has been recorded in the Township's financial statements. The total principal outstanding on the sewer contract at March 31, 2006 is \$29,394.

The water line contract is non-interest bearing. The face amount of the contract at March 31, 2006 is \$86,056. The discount has been calculated at 8%. Only the principal portion of the note has been shown as a liability.

<u>Year Ending March 31</u>	<u>Face</u>	<u>Discount</u>	<u>Principal</u>
2008	\$ 21,514	\$ 5,560	\$ 15,954
2009	21,514	4,460	17,054
2010	21,514	3,492	18,022
2011	21,514	1,594	19,920
	<u>\$ 86,056</u>	<u>\$ 15,106</u>	<u>\$ 70,950</u>

Thetford Township
Notes to Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2006, Thetford Township has not incurred any indebtedness which would be limited under Act 359. The Township's existing sewer and water debts are specifically exempted from consideration in the 10% limit computation.

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$184,014,470	\$137,410,476
Qualified real property	368,010	358,970
Personal property	16,162,040	16,155,540
Total	<u>\$200,544,520</u>	<u>\$153,924,986</u>

G. Senior citizen fund balance reservation

Following the death of a Thetford Township resident, the Township received a contribution of \$1,000 to be used for senior citizens. This contribution is held in the General Fund and accrues interest. Both the interest earnings and principal are available to be expended. At March 31, 2006, the funds available for expenditure are \$1,032. This amount has been shown as reserved fund balance in the General Fund.

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

B. Retirement plans and other post-employment benefits

Retirement plans:

The Township has a defined contribution plan, which covers all full-time employees at least eighteen years of age. The plan is on a calendar year. An employee must contribute 2.5 percent of their compensation and may make an additional voluntary contribution of up to 10% of their annual compensation. Payroll costs of all employees and plan participants amounted to \$319,294 in fiscal year 2006 and \$322,504 in fiscal year 2005. During the current year, the General Fund contributed the Township's portion of the pension cost, amounting to \$22,799, which is 7%. Employees made required and voluntary contributions to the plan during the current year. The plan is administered by the Township Clerk. Investments are made through GLP Investment Services. It is the policy of the Township to pay the pension costs as accrued.

Thetford Township
Notes to Financial Statements
March 31, 2006

IV. Other information – (continued)

B. Retirement plans and other post-employment benefits – (continued)

Post employment benefits other than pension:

The Township provides health benefits to certain employees after they retire or leave office. The ordinance provides that health, medical, and dental care benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees and elected or appointed officials with a minimum of 10 years of service are eligible. The Township provides premium coverage based on a point system in which one point per year is given for number of years served plus years of age at retirement to determine benefit coverage. Full coverage is provided if 75 total points are attained and half coverage if at least 65 total points are attained. For the current year there were six eligible employees. The cost paid by the Township was \$38,006.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended March 31, 2009.

C. Segment information for Enterprise Funds

The Township maintains an Enterprise Fund which provides water and sewer services. Segment information for the year ended March 31, 2006, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Fund</u>
Operating revenues	\$ -	\$ 176,757	\$ 176,757
Depreciation	10,500	46,591	57,091
Operating income (loss)	(10,500)	(167)	(10,667)
Non-operating revenues (expenses)	(14,520)	39,479	24,959
Net income (loss)	(25,020)	39,312	14,292
Plant, property, and equipment	335,990	332,185	668,175
Current assets	1,269	1,344,429	1,345,698
Current liabilities	126	19,083	19,209
Long term debt:			
Bond payable	86,056	29,392	115,448
Discount on bond	(15,106)	-	(15,106)
Net working capital	1,143	1,325,346	1,326,489
Total equity:			
Invested in capital assets	265,040	302,792	567,833
Unrestricted	1,143	1,325,346	1,326,489
Total assets	337,259	1,676,614	2,013,873

Thetford Township
Notes to Financial Statements
March 31, 2006

IV. Other information – (continued)

D. Joint governed organizations

In April 1976, the Thetford Township entered into a joint governed organization with the City of Clio and the Charter Township of Vienna to create the Clio Area Fire Authority (this agreement was amended March 1997). The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The amended agreement provides for each of the three municipalities to contribute the equivalent of one mill of the state equalized valuation of real and personal property within their boundaries or an equal amount from the general fund by April 1st of each year. The contribution made by Thetford Township during 2006 was \$144,690. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the future.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	<u>Year Ended</u> <u>March 31, 2006</u>
Total assets	\$1,406,366
Total liabilities	42,373
Total fund equity	1,363,993
Total revenues	574,341
Total expenditures	385,944

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio. The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Thetford Township during 2006 was \$7,168. Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the future.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	<u>Year Ended</u> <u>June 30, 2005</u>
Total assets	\$279,942
Total liabilities	4,443
Total fund equity	275,499
Total revenues	46,922
Total expenditures	49,035

Thetford Township
Notes to Financial Statements
March 31, 2006

IV. Other information -- (continued)

E. Summary disclosure of contingent liabilities

Grants:

The Township participates in the Department of Housing and Urban Development Community Block Grant Program. These programs are subject to compliance audits by the granting agency. During the year ended March 31, 2006, the Township was not required to have a compliance audit performed in accordance with the Single Audit Act of 1984. The amount, if any, of expenditures which may be subsequently disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Water Line:

The Township Board passed a resolution for the North Loop Water Line which will commit the Township to long-term bond debt through Genesee County.

F. Commitments

The Township has committed to a multiyear refuse collection agreement through March 31, 2009 at the following rates: April 1, 2006 through March 31, 2007 at \$10.66 per month per unit; April 1, 2007 through March 31, 2008 at \$10.93 per month per unit; and April 1, 2008 through March 31, 2009 at \$11.20 per month per unit. The approximate number of units billed per month is 2,400.

G. Net asset restatement

The net assets of the governmental activities have been restated for accumulated depreciation incorrectly calculated.

Net assets - governmental activities as previously stated	\$3,101,222
Less additional accumulated depreciation	<u>(598,293)</u>
Restated net assets - governmental activities	<u>\$2,502,929</u>

Required Supplementary Information

**Township of Thetford
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	Budget			Variance - Under (Over)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 144,150	\$ 144,150	\$ 143,660	\$ (490)
Special assessments	14,950	14,950	9,809	(5,141)
Licenses and permits	37,750	37,750	50,532	12,782
Intergovernmental:				
Federal	82,000	82,000	3,482	(78,518)
State	594,000	594,000	593,867	(133)
Charges for services	389,229	389,229	365,061	(24,168)
Interest and dividends	62,800	62,800	63,802	1,002
Rent	6,000	6,000	5,660	(340)
Other	5,300	5,300	8,933	3,633
Total revenues	1,336,179	1,336,179	1,244,806	(91,373)
Expenditures:				
Legislative:				
Township board	\$ 105,922	\$ 117,122	\$ 96,291	\$ 20,831
General government:				
Supervisor	58,774	59,324	59,988	(664)
Election	3,779	3,779	6,377	(2,598)
Assessor	22,600	22,600	19,748	2,852
Legal	15,000	19,000	18,273	727
Clerk	50,992	50,992	51,118	(126)
Board of review	2,975	2,975	2,434	541
Treasurer	55,690	55,690	54,597	1,093
Buildings and grounds	212,007	212,707	202,385	10,322
Cemetery	24,314	24,314	21,154	3,160
Total general government	446,131	451,381	436,074	15,307
Public safety:				
Narcotic task force	5,000	7,210	7,204	6
Police protection	57,668	57,668	45,043	12,625
Fire protection	144,000	144,700	144,690	10
Liquor law enforcement	2,400	190	-	190
Ordinance inspector	11,187	4,047	2,247	1,800
Building inspector	23,200	23,340	17,959	5,381
Planning commission	5,700	2,700	1,862	838
Board of appeals	3,230	3,230	2,820	410
Disaster emergency	500	500	-	500
Traffic lights	2,500	2,500	1,959	541
Total public safety	255,385	246,085	223,784	22,301

**Township of Thetford
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	Budget		Actual	Variance - Under (Over)
	Original	Final		
Public works:				
Drains-at-large	20,000	16,400	16,304	96
Roads	86,020	85,470	74,983	10,487
Street lights	11,100	11,100	9,895	1,205
Garbage collection	320,000	320,000	301,652	18,348
Total public works	437,120	432,970	402,834	30,136
Health and welfare:				
Senior center	46,463	50,063	49,528	535
Recreation and culture:				
Park pavilion	1,050	1,050	893	157
Parks	500	545	43	502
Recreation hall	14,550	9,430	5,451	3,979
Library	7,960	8,035	7,986	49
Total recreation and culture	24,060	19,060	14,373	4,687
Insurance and bonds	50,000	50,000	48,390	1,610
Total expenditures	1,365,081	1,366,681	1,271,274	95,407
Excess (deficiency) of revenues over expenditures	(28,902)	(30,502)	(26,468)	4,034
Other financing uses:				
Transfers	-	-	(500)	(500)
Net change in fund balance	(28,902)	(30,502)	(26,968)	3,534
Fund balance - beginning of year	1,691,882	1,691,882	1,691,882	-
Fund balance - end of year	\$ 1,662,980	\$ 1,661,380	\$ 1,664,914	\$ 3,534

June 28, 2006

Honorable Members of the
Township Board
Thetford Township
Genesee County, Michigan

Dear Township Board Members:

We recently completed our audit of the basic financial statements of the Thetford Township, Michigan (Township) for the year ended March 31, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Contractual person

It is our understanding that the Township has contracted with a person to perform services and then required that person to punch a time clock. We would suggest that the Township consult with their attorney to determine if having this person punch a time clock could change the contractual relationship with this person into an employee relationship.

Budget Adoption

The General Appropriations Act to adopt the annual budget needs to be expanded to include all items required per the Budget Act.

The general appropriations act must:

- state the total mills to be levied and the purpose for each millage levied (truth in budgeting act);
- include estimated revenues by source in each fund for the ensuing fiscal year.

In reading the fiscal year 2006 minutes, the general appropriations act still needs to be expanded to include all the items detailed above.

Personnel Policies

In reviewing the personnel policies we noted that the policies have not been updated for various changes that have been made by the Board such as the change in the pension plan contribution to be made by the Township and the employee required contribution. We would suggest the personnel policies be updated immediately and updated on an on going basis for changes made by the Board.

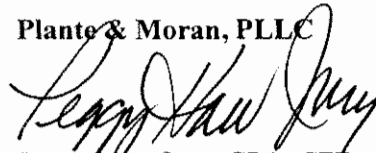
Postemployment Benefit Coverage

Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting for Employers for Postemployment Benefits Other Than Pensions*. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree postemployment benefit coverage over the working life of an employee, rather than at the time the costs are paid.

We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the Township staff during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendation, we would be happy to discuss them at your convenience.

Sincerely,

Plante & Moran, PLLC



Peggy Haw Jury, CPA, CFE